

HEALTH CARE NEEDS AND FINANCING

STRATEGIC OBJECTIVE PLAN 2000-2002





GAO's MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

CORE VALUES

ACCOUNTABILITY

describes the nature of GAO's work. GAO helps the Congress oversee federal programs and operations to ensure accountability to the American people. GAO's evaluators, auditors, lawyers, economists, public policy analysts, information technology specialists, and other multidisciplinary professionals seek to enhance the economy, efficiency, effectiveness, and credibility of the federal government both in fact and in the eyes of the American people. GAO accomplishes its mission through a variety of activities, including financial audits, program reviews, investigations, legal support, and program analyses.

INTEGRITY

describes the high standards that GAO sets for itself in the conduct of its work. GAO takes a professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced approach to all of its activities. Integrity is the foundation of reputation, and GAO's approach to its work ensures both.

RELIABILITY

describes GAO's goal for how its work is viewed by the Congress and the American public. GAO produces high-quality reports, testimony, briefings, legal opinions, and other products and services that are timely, accurate, useful, clear, and candid.

FOREWORD

In fulfilling its mission, GAO examines the use of public funds; evaluates federal programs and activities; and provides analyses, options, recommendations, and other assistance to help the Congress make effective oversight, policy, and funding decisions. In this context, GAO works to continuously improve the economy, efficiency, and effectiveness of the federal government through the conduct of financial audits, program reviews and evaluations, analyses, legal opinions, investigations, and other services. Most of this work is based upon original data collection and analysis.

To ensure that GAO, in serving the Congress, targets the right issues, provides balanced perspectives, and develops practical recommendations, GAO regularly consults with the Congress and maintains relationships with a variety of federal, state, academic, and professional organizations. GAO also obtains the perspectives of applicable trade groups and associations and attends professional conferences. Moreover, GAO regularly coordinates its work with CRS, CBO, and agency Inspector General offices. Throughout, GAO's core values of accountability, integrity, and reliability are guiding principles.

In keeping with its mission and responsibilities, GAO has developed a strategic plan that includes four strategic goals and 21 related strategic objectives. To ensure that GAO's resources are directed to achieving its goals, a separate strategic plan underlies each objective. In support of GAO's goal of providing timely, quality service to the Congress and the federal government to address current and emerging challenges to the well-being and financial security of the American people, this strategic plan describes the performance goals GAO will use in supporting congressional and federal decisionmaking on the health care needs of Americans.

This plan covers a 3-year period; however, because unanticipated events may significantly affect even the best of plans, GAO's planning process allows for updating this plan to respond quickly to emerging issues. If you have questions or desire information on additional or completed work related to this strategic objective, please call or e-mail us or the contact persons listed on the following pages.

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SERVING THE CONGRESS GAO's STRATEGIC PLAN FRAMEWORK

MISSION

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

GOALS

PROVIDE TIMELY, QUALITY SERVICE TO THE CONGRESS AND THE FEDERAL GOVERNMENT



TO ADDRESS CURRENT AND EMERGING CHALLENGES TO THE WELL-BEING AND FINANCIAL SECURITY OF THE AMERICAN PEOPLE

SUPPORT THE TRANSITION



TO RESPOND TO CHANGING SECURITY THREATS AND THE CHALLENGES OF GLOBAL INTERDEPENDENCE

MAXIMIZE THE VALUE OF GAO



BY BEING A MODEL ORGANIZATION FOR THE FEDERAL GOVERNMENT



TO A MORE RESULTS-ORIENTED AND ACCOUNTABLE FEDERAL GOVERNMENT

THEMES

Demographics

Globalization

Quality of Life

Security

Technology

Government Performance and Accountability

OBJECTIVES

HEALTH CARE NEEDS AND FINANCING

Retirement income security
Social safety net
Education/workforce issues
Effective system of justice
Community investment
Natural resources use and environmental protection
Physical infrastructure

Diffuse security threats
Military capabilities and readiness
Advancement of U.S. interests
Global market forces

Fiscal position of the government
Government financing and accountability
Governmentwide management reforms
Economy, efficiency, and effectiveness improvements in federal agencies

Client relations
Strategic and annual planning
Human capital
Core business and supporting processes
Information technology services

CORE VALUES

Accountability

Integrity

Reliability

PROVIDE TIMELY,
QUALITY SERVICE TO THE
CONGRESS AND THE
FEDERAL GOVERNMENT



TO ADDRESS
CURRENT AND EMERGING
CHALLENGES TO THE
WELL-BEING AND
FINANCIAL SECURITY
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HEALTH CARE NEEDS AND FINANCING

Retirement income security
Social safety net
Education/workforce issues
Effective system of justice
Community investment
Natural resources use and
environmental protection
Physical infrastructure

THE HEALTH NEEDS OF AN AGING AND DIVERSE POPULATION

Federal health programs tangibly affect the lives and well-being of every American. Health care expenditures now account for about 22 percent of all federal spending, including spending on Medicare, Medicaid, veterans and military health care, the public health agencies, and biomedical research. Medicare alone finances care for 39 million beneficiaries, and 9 million veterans and military beneficiaries receive health care paid for by federal dollars. Medical research sponsored by the National Institutes of Health has contributed to a proliferation of new therapies. The Food and Drug Administration ensures the safety and efficacy of drugs and medical products that are at the core of American medicine.

Driven by the aging of the population and innovations in medical technology, Medicare spending is expected to double its share of the economy by 2050, crowding out other spending. In the coming years, the Congress will consider both proposals to fundamentally reform Medicare and plans for incremental changes to improve the efficiency of the program's current structure and its incentives, safeguards, and transparency. The Congress will also pay close attention to Medicaid, which in serving low-income elderly and disabled Americans, is the largest public payer of long-term care. Additional challenges facing the Congress include the continuing increase in the number of Americans without health insurance, containing costs and maintaining access to care in the Department of Veterans Affairs' and Department of Defense's medical systems, and improving the public health infrastructure that is the nation's first line of defense against resurgent infectious diseases and other health threats. These demands on federal spending force difficult decisions that pit desires for unlimited access to the best available health care against the realities of what is needed and what this nation can afford.

GAO's draft strategic plan identifies five multiyear performance goals to support congressional and federal decisionmaking on the health needs of an aging and diverse population. Efforts related to the financing of long-term care and health care for low-income children are discussed under the strategic objective on a social safety net for Americans in need. The following pages discuss the significance of performance goals, the key efforts that will be undertaken, and the potential outcomes.

Performance Goals

- Evaluate Medicare Reform, Financing, and Operations
- Assess Trends and Issues in Private Health Insurance Coverage
- Assess Actions and Options for Improving VA and DOD Health Care Facilities and Services, Including Realigning Capital Assets to Reduce Unneeded Physical Infrastructure
- Evaluate the Effectiveness of Federal Programs to Promote and Protect the Public Health
- Assess the Effectiveness of Federal Food Safety Programs



Evaluate Medicare Reform, Financing, and Operations

Significance

Medicare now finances health care for 39 million Americans, accounting for one-eighth of all federal expenditures. Without changes, Medicare is expected to double its share of the nation's economy by 2050, crowding out other government spending and economic activity. Medicare's Hospital Insurance Trust Fund is projected to become insolvent by 2015. Payment systems and other policies have not always provided beneficiaries and providers with information and incentives to seek care in a cost-effective manner. Such structural changes as managed care are intended to introduce market competition to Medicare, with the goal of containing health care use and costs. Other options to fundamentally reform Medicare have been proposed, such as the idea of providing premium support to allow beneficiaries to purchase private health insurance. Medicare and other federal health programs also face the contentious task of rate setting, or calibrating payments to match the health care costs of patients. The government overpays when the rates are set too high relative to these costs; providers may try to avoid treating sicker, more expensive patients if the rates are set too low. Safeguarding the integrity of the Medicare program also remains a continuing challenge. Because Medicare pays out about \$200 billion annually and is responsible for financing health services delivered by hundreds of thousands of providers, it is an especially attractive target for fraud, waste, abuse, and mismanagement.



Key Efforts

Analyze the potential consequences of Medicare structural reforms

Assess the effects of expanding managed care in Medicare

Evaluate the Health Care Financing Administration's implementation of legislative reforms

Evaluate methodologies for setting fair reimbursement rates for Medicare providers

Assess the effects of different payment rates on access to, and the quality of, health care services

Evaluate HCFA's safeguards and program controls over provider payments and beneficiary access and quality

Potential Outcomes

Consideration of Medicare reforms based on a thorough understanding of the likely budgetary and health care impacts of the proposals

More cost-effective Medicare managed care programs

Improvements in HCFA's implementation of legislated Medicare program changes

Medicare rate-setting methodologies that minimize federal costs and positively impact the quality of medical care provided to Medicare beneficiaries

Reductions in improper payments to health care providers

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Assess Trends and Issues in Private Health Insurance Coverage

Significance

Private health insurance provides coverage for more than 160 million Americans; however, the number of Americans without any health insurance has grown by about 1 million a year to 43 million in 1997. The tax code and the Employee Retirement Income Security Act of 1974 provide a strong federal influence on the private health insurance market. Recently, beginning with the Health Insurance Portability and Accountability Act of 1996, the Congress has established additional standards for private health insurance coverage. Furthermore, strong interactions exist between the private health insurance market and public health insurance programs, including Medicare and Medicaid, with financing innovations in the private or public sector often being adopted by the other sector, and efforts to constrain costs or improve access in one sector often leading to unintended consequences in the other. These complex interrelations between federal policy and the private health insurance market greatly affect the affordability, availability, and quality of insurance coverage that most—but not all—Americans receive.



Key Efforts

Assess the impact of public and private efforts to achieve compliance with federal health insurance standards

Evaluate trends in, and distribution of, health insurance coverage

Potential Outcomes

Better congressional understanding of the impact of public and private efforts to achieve compliance with federal health insurance standards

More complete congressional understanding of trends in health insurance coverage, including the continued erosion of private health insurance coverage, the return of premium increases exceeding general inflation, and the evolving health insurance market



Assess Actions and Options for Improving VA and DOD Health Care Facilities and Services, Including Realigning Capital Assets to Reduce Unneeded Physical Infrastructure

Significance

The Department of Veterans Affairs and the Department of Defense operate two of the largest health care systems in the world, together spending about \$34 billion a year for health care. Both systems face great challenges. For instance, VA's health care system historically focused on hospital care using high technology and medical specialization. It did not keep pace, however, with industry and societal changes such as the restructuring of health care to emphasize managed care and the evolving medical needs of an aging veteran population. Consequently, VA's large, aged infrastructure could be the biggest obstacle confronting the agency's ongoing transformation efforts, requiring VA to spend a major portion of its health care budget—about 1 out of every 4 health care dollars—to operate, maintain, and improve its facilities. Similarly, DOD faces pressures to adapt its health care structure to changing military threats, a decreased force size, and an evolving health care marketplace, characterized by rising costs and increasing beneficiary concerns about access. In response to these issues, DOD established its nationwide managed care program, TRICARE. However, beneficiary concerns have continued under TRICARE, as have concerns about efficiency and questions about TRICARE's cost-effectiveness. Such conditions have focused attention on the prospective need for military medical facilities, the coordination of peacetime care among them, and alternative care delivery approaches.



Key Efforts

Evaluate proposals to restructure and/or consolidate VA and DOD health care systems, including realigning capital assets to reduce unneeded physical infrastructure

Assess implications of various military health demonstration programs

Evaluate lessons learned from the evolution of TRICARE, DOD's current health care system

Assess vulnerability of VA and DOD systems to fraud, waste, and abuse

Examine access and quality of care provided to veterans and military beneficiaries

Assess VA's and DOD's efforts to meet the health care needs of special groups

Potential Outcomes

More effective and efficient organizational structures and capital asset realignments for VA and DOD health care

Changes in military health care programs that reflect the lessons learned from military health demonstrations

A more effective TRICARE program

Reductions in the amount of unnecessary health care expenditures by VA and DOD

Improved monitoring of the impact on beneficiaries as VA and DOD restructure their health care systems

Minimized negative impact of cost-saving measures on the health care provided to vulnerable groups

Improved congressional understanding of the status of service-related health threats, such as Persian Gulf War Syndrome



Evaluate the Effectiveness of Federal Programs to Promote and Protect the Public Health

Significance

To promote and protect the health of the nation, the public health agencies pursue a broad range of activities that tangibly affect the well-being of every American. These include conducting public health surveillance on new and reemerging infectious diseases, nationally and internationally; sponsoring and conducting biomedical research; evaluating the effectiveness and safety of pharmaceuticals and medical devices; and funding medical treatment for substance abuse. Through the National Institutes of Health and other agencies, the federal government invests roughly \$13 billion a year in biomedical research, contributing to a dramatic increase in the number of available medical treatments. New therapies will further test the ability of the Food and Drug Administration to ensure the safety and efficacy of new medical products and the blood supply while not unduly delaying the availability of new products to consumers. Advances in computing technology have prompted concerns about the privacy of medical records, as the nation seeks to both protect the privacy of individuals and facilitate research that may lead to substantial improvements in medical care. The changing nature of public health threats—including the resurgence of infectious diseases and the danger of biological terrorism—requires effective surveillance and prompt action by the Centers for Disease Control and Prevention and other public health agencies at the federal, state, and local levels.



Key Efforts

Evaluate the ability of the federal public health agencies to detect and counter emerging threats to the nation's health

Examine the monitoring of funds expended for biomedical research

Assess the regulatory structure for ensuring the safety and efficacy of medical devices, drugs, blood products, and alternative medical therapies

Evaluate federal efforts to regulate access to medical records

Evaluate the effectiveness of programs to reduce the demand for illicit drugs

Potential Outcomes

Increased ability of federal public health agencies' efforts to counter emerging public health threats

Improved oversight by NIH of funds for biomedical research

More effective and efficient determination of the safety and efficacy of medical products by FDA

More effective standards for protecting the confidentiality of medical records

More effective drug prevention and treatment programs



Assess the Effectiveness of Federal Food Safety Programs

Significance

Although most Americans believe that their food is relatively safe, U.S. food safety experts estimate that foodborne diseases in the United States cause 325,000 cases of serious illness resulting in hospitalizations, 76 million cases of gastrointestinal illnesses and 5,000 deaths each year. These illnesses cost the nation between \$7 billion and \$37 billion annually in medical expenses and productivity losses. The federal government plays a critical role in reducing the health and economic consequences of foodborne illnesses, spending over \$1 billion annually. However, the U.S. food safety oversight system is fragmented, with 12 federal agencies administering 35 different laws. Inconsistencies and differences among these agencies' approaches undercut overall efforts to ensure a safe food supply. In addition, scientific advances in the production of food, such as the development of genetically modified foods, have further complicated the responsibilities of the federal safety agencies.



Key Efforts

Assess key federal initiatives for identifying and mitigating the spread of foodborne illnesses, including the recently implemented meat inspection system—Hazard Analysis and Critical Control Point

Assess the capability of the current food safety system to ensure the safety and quality of genetically modified foods

Assess the extent to which new technologies for testing the safety of food and reducing food contamination can facilitate improvements in the nation's food supply

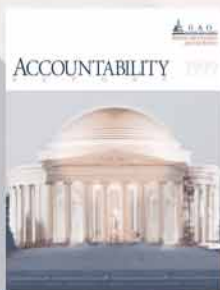
Potential Outcomes

Options for the Congress for strengthening the effectiveness of federal food safety initiatives and ensuring that, overall, these initiatives support a consistent and coordinated federal approach to food safety

Improved assurances that federal food safety agencies are positioned to evaluate and regulate the safety and quality of genetically modified foods

More effective and efficient food safety systems through the use of new technologies

The full set of GAO's strategic planning, performance, and accountability documents are listed below. All of these documents, as well as other GAO reports and documents, may be obtained electronically on our website, www.gao.gov.



Accountability Report for fiscal year 1999

Strategic Plan, 2000-2005

Strategic Plan Executive Summary

Strategic Plan Framework

Strategic Objective Plans

Health Care Needs and Financing

Retirement Income Security

Social Safety Net

Education/Workforce Issues

Effective System of Justice

Community Investment

Natural Resources Use and Environmental Protection

Physical Infrastructure

Diffuse Security Threats

Military Capabilities and Readiness

Advancement of U.S. Interests

Global Market Forces

Fiscal Position of the Government

Government Financing and Accountability

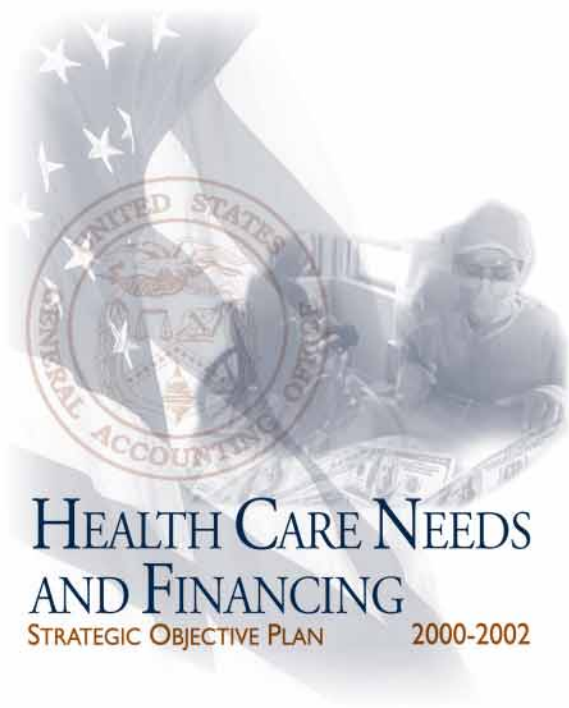
Governmentwide Management Reforms

Economy, Efficiency, and Effectiveness

Improvements in Federal Agencies

Maximize the Value of GAO

Performance Plan Fiscal Year 2001



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2000-2002